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National Intelligence Daily Cable for Friday March 25. 1977.

The NID Cable is for the purpose of informing senior US officials.

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EGYPT: Fahmi Speech

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Egyptian Foreign Minister Fahmi has told some Egyptian legislators that recent public statements by President Carter and General Secretary Brezhnev are:

- -- Evidence of the success of Egypt's diplomacy.
- -- An improvement over the previous static situation.
- --A sign that both leaders are dealing personally with the Middle East.
- --A guarantee that there will be movement on Middle East problems because each statement requires the other major power to react.

Fahmi said it is clear that President Carter's remarks on borders and on a Palestinian homeland are trial balloons-parts of which are not acceptable to Egypt. The US statements, according to Fahmi, prompted Brezhnev to express Soviet views about a solution. Fahmi indicated that Egypt's diplomacy has sought to produce such exchanges.

Fahmi termed Brezhnev's statement timely and positive for Egypt. President Sadat said on Tuesday it showed moderation, although it offered no significant change in the Soviet position. Fahmi told the legislators that he hoped President Carter would reply to Brezhnev.

On the substance of a settlement, Fahmi also vigorously reasserted Egypt's position that "there will be no negotiations over an inch of territory, and there can be no solution without an independent national entity for the Palestinians." Negotiations, he said, must begin with the Palestinian problem. He made clear that only settlement of this issue would eliminate the reason for war.

Fahmi's presentation partly reflects pressures within Egypt and the Arab world for the Egyptian government to show

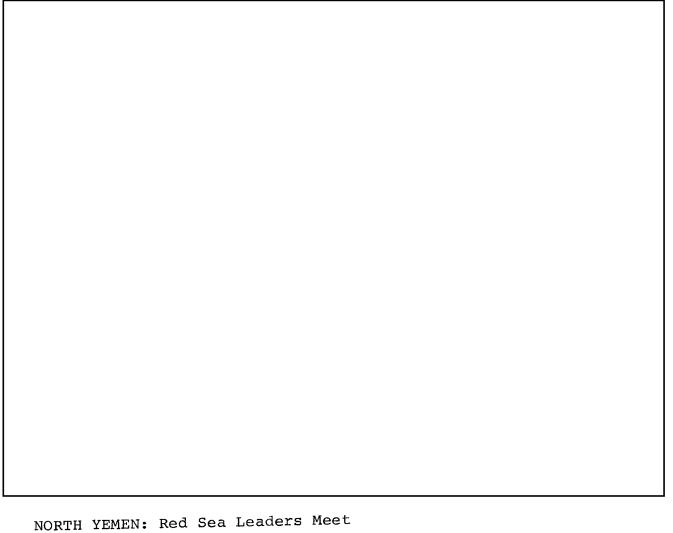
that its diplomatic initiatives are producing results. At the same time, Egyptian leaders probably also believe developments are moving in the right direction.

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The danger is that in the months ahead the pressures will gradually push Egyptian rhetoric well beyond what is justified by developments, raising unwarranted popular—and official—expectations regarding a settlement. Egyptian leaders and populace went through a similar period of escalating expectation and subsequent disillusionment in 1972 and 1973.

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The presidents of Sudan, Somalia, and North and South 25X1 Yemen ended their summit meeting Wednesday without achieving

any major results. They agreed to invite all Red Sea littoral states to a conference on making the Red Sea a zone of peace and to prepare for joint exploitation of the sea's resources.

25X1	The significance of the summit is that it was held at all, and especially so soon after Cuban President Castro's apparently unsuccessful visit to Somalia and South Yemen.	
25X1 ๋	The summit is part of a broader effort by moderate Arab leaders to bring Somalia and South Yemen into the mainstream of Arab politics and to wean them from their close ties with the Soviets. The summit, which was personally promoted by Sudanese President Numayri, was apparently conceived during the meeting of Egyptian President Sadat, Syrian President Asad, and Numayri in Khartoum in late February. Saudi Arabia undoubtedly supports Numayri's efforts and is likely to provide financial aid to Somalia, as it already is doing for South Yemen.	
25X1	President Ali's attendance at Taiz serves to buttress his efforts to improve South Yemen's image among its more moderate neighbors. Ali invited United Arab Emirate President Zayid to Aden last week, immediately following Zayid's four-day visit in North Yemen.	
25X1	Zayid's trip to Aden is apparently the first by an Arab chief of state and appears to have gone well. Zayid emphasized the importance of Islamic religious values for Arab leaders by visiting several mosques for his daily prayers. A member of his delegation commented that this had required his socialist hosts to do more public praying in two days than they had probably done in years.	25X1
25X1	Both Zayid and Numayriwho visited Oman before going to Somalia and South Yemenundoubtedly urged President Ali to moderate South Yemeni hostility towards Oman.	25/1
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of the USSR. Although the situation does not constitute a political danger to the regime, the shortages have caused some unrest and even work stoppages.

Acknowledging some difficulties in a major speech this week, General Secretary Brezhnev said that increasing meat output and ensuring an uninterrupted supply of quality food to the population is of "special importance."

The overall food situation is difficult to assess from the fragmentary evidence available, but shortages stemming in part from the disastrous 1975 harvest apparently have eased substantially only in major cities.

The latest statistics show that the long anticipated upturn in meat production has not materialized, even though feedgrain from the record 1976 crop has been available for six months. A prominent Soviet agricultural economist told embassy officers early in March, in fact, that the meat situation would not return to normal for another six months.

Combined January-February meat output was the lowest since 1970 and 16 percent below a year ago. Compared with early 1975--the most recent "normal" period--meat production was down by 25 percent in January and 13 percent in February.

The low January-February output suggests that total meat production for this year is not likely to reach the 1974-75 level. Meat production is subject to cyclical fluctuations, peaking in winter months and reaching a low point in the spring. Even if substantially more animals become available for slaughter later in the year, limited processing capacity and refrigeration facilities will hold down production.

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Despite meat and vegetable shortages, overall supplies of staple foods are adequate, especially in the large metropolitan areas. Prices on the free market, however, are higher. Winter is usually a difficult time for Soviet consumers because of problems in the generally inefficient distribution system. Recent public criticism of the rail transport sector indicates that these problems may have been worse than usual this year.

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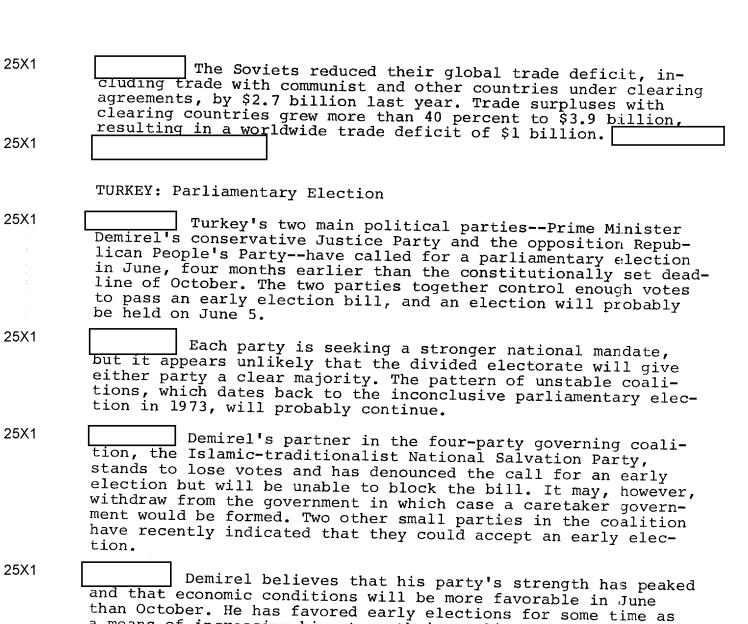
USSR: Trade Deficit Cut

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The USSR's hard-currency trade deficit last year was \$4.9 billion, according to recent Soviet foreign trade statistics. This deficit is almost 25 percent lower than the \$6.4-billion deficit registered in 1975.

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The USSR reduced the deficit despite a substantial increase in grain imports from the West. The Soviets kept nongrain imports at or possibly below their 1975 levels while increasing hard-currency exports by 26 percent. In the last half of the year, imports of grain tapered off while export expansion continued; after running a \$3.3 billion hard-currency deficit in January-June, the USSR cut the July-December deficit to \$1.6 billion.



a means of increasing his strength in parliament and reducing his reliance on his coalition partners. He hopes to pick up

votes from his coalition partners.

Opposition and Republican leader Ecevit's motivation 25X1 is less clear, although he has evidently convinced himself that an early election will also be to his party's advantage. Ecevit also has become increasingly restive and is eager to take over the government again. No major policy decisions are likely during the pre-25X1 election period, nor during the weeks following the election when another coalition government will probably have to be put together. The new government, however, will be under pressure to act decisively once a coalition is formed. PAKISTAN: Riots The response to the opposition's call for a general 25X1 strike in Pakistan tomorrow could be critical to the campaign to oust Prime Minister Bhutto. The opposition hopes to prevent convocation of the National Assembly by tying up transportation, but apparently has decided against a major demonstration in Islamabad. If Bhutto's opponents can show an increase in their 25X1 popular support, the campaign will receive new impetus whether or not the assembly meets. If they are unable to do so, it might begin to die out, although an effort to give it new life by resorting to more violent tactics might be considered. Yesterday, the opposition formally rejected Bhutto's 25X1 offer to hold discussions and asked the figure-head President to dismiss Bhutto. According to the opposition, Bhutto had offered substantial concessions, including 40 more of the 300 National Assembly seats, opposition control of the two provinces on the Afghan border, and the release of opposition leaders jailed for alleged secessionist plotting in 1975. This week in Karachi, demonstrations during breaks 25X1 in the curfew have led only to scattered violence. In the Punjab, violent clashes between police and demonstrators have continued but do not seem to be significantly worse than they were a week ago.

25X1 The US consulate in Karachi characterizes the situation there and in other cities in the Sind as the lull before the storm. The consulate in Lahore reports that the city is nervous and uncertain in anticipation of the general strike. 25X1 ARGENTINA: Nuclear Energy //Argentina's military government has accelerated work to develop a capability in all aspects of the nuclear fuel 25X1 cycle in an effort to become independent of foreign suppliers and controls. Success will depend in the near term on the extent of foreign assistance obtainable. If Argentina can complete on schedule the construction of facilities now under way or planned, it could be independent of foreign suppliers by the mid-1980s.// 25X1 //Argentine officials would also like to establish the country as the Latin American leader in nuclear energy. Earlier this month, President Videla announced at the end of a state visit to Peru that Argentina would sell Peru a 10-megawatt nuclear research reactor; this would make Argentina the first third-world country to export nuclear equipment.// Argentina should have no difficulty supplying Peru 25X1 with a nuclear research reactor. The Argentine Nuclear Energy Commission has designed, engineered, and built four of its five research reactors. It is deeply involved in the construction of Argentina's second power reactor; the commission acts as the contractor under license to Atomic Energy of Canada, Ltd. The commission plans to handle most of the construction for Argentina's third power reactor, with Canada playing only a minor advisory role. //Argentina's first nuclear power reactor -- a 340-25X1 megawatt heavy-water reactor built by a West German firm--has been in operation at Atucha since 1974. Safeguard provisions governing the reactor have recently been extended for an un-

specified period.//

25X1 //A second nuclear power station—a CANDU—type reactor with a capacity of 600 megawatts—is under construction at Embalse and is expected to be in operation by 1981. It is being supplied by Canada under International Atomic Energy Agency safeguards. A second CANDU reactor is planned for operation in 1985, also at Atucha.//

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